

SUBMISSION TO THE HOUSE OF COMMONS STANDING COMMITTEE

ON REGIONAL DEVELOPMENT

ON THE INVESTMENT CANADA ACT, BILL C-15

BY THE

CANADIAN LABOUR CONGRESS

opeiu225

February 26, 1985



85-3551/

A. INTRODUCTION - 1973 AND 1985

The Canadian Labour Congress welcomes this opportunity to appear before the Standing Committee on Regional Development to present its views on Bill C-15, An Act Respecting Investment in Canada.

It is just short of 12 years ago, in June 1973, that the CLC appeared before a standing committee of the House to give its views on the proposed Foreign Investment Review Agency (FIRA).

Then, the CLC noted that "control over important industries by non-residents is much greater in Canada than in any other industrialized nation ... Canada, a comparatively well-industrialized country, is unique in its high degree of dependence on corporate decisions made by Canadian based corporations with their headquarters located outside, particularly in the United States".

What was true in 1973 is still true today, after more than a decade of FIRA. Although the levels of foreign direct investment in some industries are lower than they were a decade ago, it is nevertheless true that the level of foreign control in our manufacturing sector is in the range of 50 per cent; that half of our machinery sector, over half of our electrical products sector, over two-thirds of our transportation equipment industry, roughly two-thirds of our petroleum and coal and non-metallic minerals industries, and three-quarters of our chemical industry are foreign owned.

It is also true that the adverse effects of this high level of foreign control can still be seen, in our employment levels; in the levels of research and development carried out in Canada; in the levels of imports and exports of finished goods; and in the ability of the government to regulate the economy in the interest of all Canadians.

We are not opposed to foreign investment. Canada has benefitted from capital investment, technical knowledge and marketing skills imported from the United States and other countries. We have a relatively high standard of living as a result. But at the same time we have paid a price, and continue to pay a price, for these advantages.

A nation cannot have political sovereignty without economic sovereignty, and it cannot be independent as long as important decisions affecting its economy are made externally.

In 1973, we pointed out that "large and powerful corporations, either acting under policies laid down by foreign laws, or simply motivated by their own interests, or by both, may ignore the economic and social goals of the country in which they are based".

The intervening years have not changed our views on the problems of foreign control of our economy, if only because

the situation has not changed materially since the early seventies. And, our views on the appropriate measures to regulate foreign investment have not changed either. What has changed is the political climate. Twelve years ago we found ourselves commenting on a bill that would regulate, for the first time, foreign investment. Today we find ourselves commenting on a bill that would, in effect, virtually reverse the role of the government in reviewing foreign investment.

In our view, the federal government must have the right to screen foreign investment, as part of its responsibility to manage the economy.

We are not here to defend FIRA or the record of the previous federal government in controlling foreign investment in Canada. FIRA, in fact, has been no significant bar to foreign investment. Up to the end of fiscal 1984, roughly 92 per cent of all the decisions made by Cabinet allowed investment to go ahead; in the first half of 1984, roughly 98 per cent of all decisions were in the affirmative. From 1977 on, and even more so from 1982 on, the distinction made in the regulations between large and small investment proposals has meant that the vast majority of investment proposals, in addition to being virtually guaranteed approval, have been assured a speedy decision.

During the life of FIRA, roughly 64 per cent of the acquisitions allowed were U.S. in origin, and roughly 56 per cent of the new business approvals were U.S. in origin. As a response to widespread concern with the extent of American domination of the Canadian economy at the time of the passage of the FIRA Act, it is clear that FIRA has not been particularly successful in changing the dominant place held in the Canadian economy by American business interests.

The predominant business opinion of FIRA is well known. A recent press report (Canadian Press, February 11, 1985) cited William Daniel, the retiring president of Shell Canada, who argued that FIRA had deepened the recession, retarded the recovery, driven up unemployment, lowered tax revenues and raised the federal government deficit. It is difficult to think of an economic evil which is not included in that list! It stretches credulity to see how a screening agency whose approval rating over its entire life has been in the range of 92 per cent and whose approval rating in recent years has been closer to 98 per cent could have had a significant impact on anything.

Replacing legislation which does not appear to have had any significant impact on the level or kind of foreign investment in Canada, would therefore only appear to be explainable on the basis of the political signal intended.

B. WHY FOREIGN CONTROL MATTERS

Does the nationality of a company matter? In our opinion, yes. Let us examine briefly some of the reasons why the extent of foreign control of our economy matters.

1. JOBS

There is clearly a difference in the jobs performance of Canadian controlled companies and foreign, especially American, controlled companies.

Recent figures from the Ontario Ministry of Labour comparing ownership and layoff patterns in the Ontario economy between 1981 and 1983 suggest that Canadian companies laid off fewer employees than their proportion of the Ontario economy would suggest, while U. S. owned enterprises laid off about 22 per cent more employees than their proportion of the economy would suggest. These figures only take into account Ontario, and they are only for a brief period. But it should be noted that it is a period encompassing the recent recession, when layoffs were a significant factor in the economy, and that the difference between American and Canadian owned firms in their layoff behaviour is significant. (Source: Paul Grayson, Our Times, November 1984)

Similarly, of the top 50 companies in Canada by sales, some 22 per cent are U.S. owned, but they accounted for just under half of the job loss during the 1982-83 period. While 64 per cent of the top 50 were Canadian controlled firms, they accounted for only about 28 per cent of the job loss in this period. (Source: Canadian Business Magazine, Canada's Top 500 Companies, 1984)

2. SOURCING AND IMPORTS

The evidence of the Gray report (Foreign Direct Investment in Canada, Ottawa, 1972) suggested that Canadian subsidiaries of foreign companies were more likely than Canadian companies to import parts and services from the country of residence of their parent company. This finding was substantiated by a later study by Statistics Canada (Canadian Imports by Domestic and Foreign Controlled Enterprises, 1978) which demonstrated that although foreign controlled firms in Canada made up only 30 per cent of all non-financial enterprises in 1978, they accounted for 72 per cent of imports, and that the great bulk of these imports were made by U.S. controlled companies. The study showed that the ratio of imports to sales for foreign companies was several times that of Canadian companies; in manufacturing, the ratio of imports to sales for foreign companies was roughly four times that for Canadian controlled companies.

U.S. or foreign-owned corporations almost invariably have engineering specifications drawn up by the parent company for expansion programmes. These specifications in many cases are made to U.S. manufacturing criteria that prevent the sourcing of the products in Canada.

Leaving out motor vehicles and parts, Canada's deficit on machinery and equipment for the 5 years ending 1983 was just under \$48 billion, based upon exports of about \$51 billion and imports of a little over \$99 billion.

Of that nearly \$48 billion, a little over \$10 billion was in communications and electronic equipment, and just under \$31 billion was in industrial machinery, equipment and tools. Together, these sectors make up the essential building blocks of a modern industrial economy. It is clear that the number of jobs foregone in Canada as a result of this continuing deficit, is extremely large.

3. RESEARCH AND DEVELOPMENT

A large proportion of Canadian patents are owned by foreign nationals and are not necessarily used for the benefit of Canadians. Subsidiaries in a branch plant economy often find themselves in the position of researching, marketing and producing products that might be in competition with the parent and are often constrained from competing with the parent.

As the Science Council of Canada has documented, Canada is at or near the bottom of the major industrialized countries in terms of the proportion of its gross domestic product that is spent on research and development. At least some of this is the result of the large numbers of foreign branch plants which dominate the Canadian economy.

The Science Council noted in a recent report, "foreign controlled firms in nearly all manufacturing sectors do a lot less research and development relative to sales than do domestically controlled firms". (Source: Science Council of Canada, Hard Times, Hard Choices, Technology and the Balance of Payments, Ottawa, Supply and Services, 1981, p.56)

A prime example of this shortfall in research and development is in the automobile industry. But one other example -- the drug industry -- is worth mentioning, as well. As the authors of a recent report noted, "the subsidiaries established here by the multinational corporations confined their research and development expenditures to the testing required to secure adoption in Canada of drugs originally introduced elsewhere". The authors suggest that the drug industry is typical of the branch plant economy in Canada, and that the result of this is the loss of managerial and technical jobs in Canada, and the retardation of the kind of industrial innovation that lies at the heart of a modern industrial

economy that is capable of competing in international markets.

(Source: Myron J. Gordon and David J. Fowler, The Drug Industry, A Case Study of the Effects of Foreign Control on the Canadian Economy, Toronto, Lorimer, 1981, p.12)

4. EXPORTS

The Gray report found that 58 per cent of Canadian manufacturing subsidiaries operated under some kind of export restriction. Under such circumstances, Canadian trade does not respond to market conditions, but is set by the priorities of the parent company, which may have little or nothing to do with Canadian priorities. Perhaps even more important, given that the United States is our most important trading partner, the Gray report found that some 31 per cent of the subsidiaries were excluded, by orders from their parent, from exporting to the U.S. market. It noted, (p.165) "The existence of export restrictions should come as no surprise. They are part and parcel of the global marketing strategy of a foreign company. The decision on how and when to enter foreign markets is normally one it wishes to make itself in order to avoid what, from its point of view, is needless and wasteful competition between subsidiaries of the same company".

This limitation on the ability of branch plants to export is a central fact of our economic history, and there is no reason to think that it is any less intense now than it was at the time of the Gray report.

5. EFFECTS ON DOMESTIC ECONOMIC POLICY

The existence of a high level of foreign ownership, characterized by high levels of intrafirm trade at transfer prices that are not related to market prices, limits the ability of governments to manage the economy. For instance, the level of imports and exports of finished goods seems to be unresponsive to changes in exchange rates in Canada, a traditional government economic lever. In a very practical sense, this is an example of the loss of economic sovereignty, and it is directly attributable to high levels of foreign investment and the branch plant nature of our economy.

In a similar way, the existence of intrafirm trade, at managed transfer prices, affects the ability of national governments to collect taxes. If transfer prices can be manipulated, then profits can be taken in the jurisdiction where taxes are lowest, not where the actual sales may have taken place.

Our view on the impact of foreign owned companies in the Canadian economy is not without some support in the business community.

The final report in 1981 of the Major Projects Task Force, a labour/business undertaking, noted that "in some cases the participation of foreign owned MNE's in key actor roles in major projects may be more likley to give rise to a shortfall in benefits than would be the case if a Canadian owned firm had played the same role. ... The question of ownership of the projects themselves and of their participants is also of concern with respect to the long term outflow of dividend payments and the resulting effect on Canada's international balance of payments position."

In the report of the Multinational Enterprises Sub-Committee of the Task Force, the following point is made:

"The participation of foreign owned MNE's has been cited as a problem principally for the following reasons:

1. It gives rise to an outflow of funds from Canada in the form of one or more of dividends, fees, salaries or service payments.
2. Expertise gained from involvement in a project frequently ends up in a foreign country resulting in a loss of the extent to which Canadian based capability is enhanced for future use in Canada and abroad.
3. The importation of manufactured inputs and services will be greater than it would otherwise be to the extent that a foreign owned project sponsor relies unnecessarily on sources of supply outside of Canada.
4. A high level of foreign ownership of the country's resources and productive capacity reduces the country's control over these aspects of economic activity in Canada."

The sub-committee report went on to make two more telling points about the ability of foreign owned firms to act in a way that would maximize benefits to Canada.

It noted that in attempting to shift sources of supply and inputs, foreign owned firms "face structural problems and

problems arising from behaviour inherited from their parent firms that make movement in this direction more difficult to bring about".

It noted, as well, that in many cases where foreign owned firms have participated in supplying management, engineering, procurement and construction services (MEPC) to major projects, "the full potential for developing an exportable base of talent has tended to be limited by the lack of scope that the Canadian branches have for exporting. In some cases, the Canadian operation will simply be prohibited by the parent firm from developing an export capacity for certain lines of work that have been assigned to other branches of the firm. ... In addition, it is frequently the case that when the Canadian operation of a multinational undertakes a Canadian major project, aspects of the work that are critical to the development of an export capacity are done by the parent firm outside the country. Thus, it is the foreign parent and not the Canadian operation that enhances its capacity in these critical areas thanks to the firms participation in the project. These limitations on the development of an MEPC export capability that is resident in Canada are particularly important since the Canadian market in many MEPC areas is not large enough by itself to support a world-scale firm."

Both of these points, of course, verify points made over a decade ago in the Gray Report.

Clearly, then, we believe, the nationality of the companies that dominate our economy does matter.

C. REVIEWING FOREIGN INVESTMENT IS NOT ENOUGH

A foreign investment review process that is not part of an overall industrial strategy is not of much use to the Canadian people. Unless the government is clear on how it intends to pursue full employment; unless it is clear how it intends to promote balanced regional development; unless it is clear how it intends to integrate upgrading our resource base with downstream processing and manufacturing, it is difficult to see what criteria it might apply to foreign investment in deciding what is acceptable and what is not.

Since this government has said in strong terms that it supports reliance on the private sector and the "market", it is not clear how it will decide what is acceptable and what is not. Bill C-15, in largely repeating the language of the Foreign Investment Review Act in terms of factors to be taken into account in screening new investment, gives no indication of this, and statements by the Minister (Mr. Stevens) to date have not given any indication either.

D. WHAT WILL BE REVIEWED

The Bill represents a significant change in the extent to

which the government will retain the right to screen foreign investment in Canada.

As the Minister has noted, the total number of investments potentially subject to review will be reduced by about 90 per cent. Virtually all investments to establish new businesses will be exempt from review, requiring notice only. The vast majority of foreign takeovers will be exempt from review as well, requiring only a notice that such a takeover has taken place, and only takeovers where the assets involved exceed \$5 million, in the case of a direct takeover, and \$50 million in the case of an indirect takeover, will be reviewable.

While the Minister has said that certain types of investment where only a notice is required may be subject to review, it should be emphasized that these areas, involving cultural industries and industries with an impact on the national identity, will be closely defined by the regulations, and that investments falling outside of these close definitions will be guaranteed exemption from review. In an area of rapid technological change, especially with the spread of information processing technology, questions of confidentiality, access to personal records, and so on, are critical, and the concern about these questions may not be confined to so-called cultural industries. The example of the recent foreign takeover of a Canadian polling firm with access to sensitive and confidential information about Canadians has already been raised during the debate on this

Bill. Clearly, this is not a cultural industry, but the issues it raises are critical nonetheless. Are we to assume that the power to protect the national interest in such cases will be lost?

E. THE REVIEW FACTORS

Let us look now at the factors on which the investment review process will turn. As the Minister has pointed out in his statement to the Committee, the FIRA term "significant benefit" has become "net benefit" under Investment Canada, and some of the criteria have been modified.

The factors to be taken into account when reviewing an investment are as follows:

1. effect on the level and nature of economic activity in Canada, including the effect on employment, on resource processing, on the utilization of parts, components and services produced in Canada, and on exports from Canada;
2. degree and significance of participation by Canadians in the business and in any industry or industries in Canada of which the business forms or would form a part;
3. effect on productivity, industrial efficiency, technological development, product innovation and product variety in Canada;

4. effect on competition within any industry or industries in Canada;

5. compatibility with national industrial, economic and cultural policies, taking into consideration industrial, economic and cultural policy objectives enunciated by the government or legislature of any province likely to be significantly affected;

6. contribution to Canada's ability to compete in world markets.

Of these factors, only the last two differ from the factors listed in the Foreign Investment Review Act. We had no objection to this list in the FIRA Act, and we have no serious objection to this list either. However, it is worth making brief comments on the last two factors.

The only change in Factor 5 is the addition of the word "cultural". The Minister has made a great deal of the fact that the present government has gone beyond the old Act in recognizing cultural objectives in screening foreign investment. In fact, however, the only indication of any increased sensitivity to cultural concerns is the inclusion of the word itself. The procedures outlined in the Bill do nothing to allay the fears of those concerned with foreign domination of our cultural industries.

Factor 6 is an addition to the list. Again, we can have little quarrel with the objective. However, as mentioned earlier,

extensive literature and experience in Canada suggests that high levels of foreign ownership in Canada have been the major source of our inability to compete, and that many branch plants in Canada have been specifically barred from competing in international markets. We would expect, then, that the government would take into account the record of a particular company with respect to its foreign subsidiaries, and that the commitments undertaken with respect to a particular investment would involve the guarantee of minimum levels of research and development and the ability of the particular subsidiary to compete freely in world markets.

Finally we note with some disappointment that the record of a company with respect to its employees is not among the criteria to be taken into account when deciding whether an investment is worth having in Canada. In our opinion, collective bargaining is a basic right that all working people should have; it is as basic a right as due process and equality before the law, and it deserves the same sort of basic protection. Companies which have refused to bargain in good faith with their employees, and which are likely to import anti-union attitudes, are not, in our opinion, worth having. We would recommend, therefore, the inclusion of a

factor encompassing labour/management relations and respect for fair collective bargaining.

F. CANADIAN CONTROL - WHAT IS IT?

We are puzzled by the definition of "Canadian controlled" contained in the Bill, and the claims made for this definition by the Minister. The Bill suggests a number of ways in which "Canadian controlled" might be defined, and the Minister has claimed, in his presentation to the Committee, that the rules for definition of Canadian control give an incentive to firms to Canadianize by increasing ownership and participation by Canadians, so that they can be found to be Canadian controlled under the Investment Canada rules and thus not be subject to review.

While it is true that there will, of course, be an incentive to qualify under the rules, it is not clear that this will involve, in any real terms, an increase in the level of Canadian control. Two examples are worth noting.

The relative importance of the nationality of company directors, for instance, can be seen from the recent comments by retiring Shell Canada President William Daniel, who noted that nine of thirteen Shell Canada directors are Canadian, even though the company itself is 72 per cent owned by the Royal Dutch Shell Group.

Shell Canada is clearly not a widely held company, in the sense intended by the legislation. It is clear in this case that the nationality of directors is irrelevant to questions of control of a company. It is not clear, then, why the nationality of directors should necessarily affect the question of whether a company is defined as Canadian controlled. (Source: Canadian Press, February 11, 1985)

The rules for definition of Canadian control do not take into account another phenomenon, the increasing importance of portfolio investment as opposed to direct foreign investment, and the increasing importance of debt rather than equity investment. It is clear that a substantial debt position in a company may constitute, in effect, control. However, there is no method, under the definitions given, of taking this into account.

G. CULTURAL INDUSTRIES - A SPECIAL PROBLEM

The Bill presents a number of problems with respect to the regulation of foreign investment in the cultural industries. There is no clear definition of the industries which might be involved. At the moment, it is not clear just what the Minister has in mind when he uses the term "cultural industries" or indeed, "national identity".

But the problems in this area go beyond simply the definitions. The Minister has suggested that the Committee members should consider how these industries might be defined. This is a useful exercise;

but the Minister has not invited the Committee to consider some of the other problems involved in ensuring that investment in the cultural industries are properly regulated.

To begin with, advance notice of takeovers or new investment is not required; the Minister will only be informed that an investment has taken place a month after it has been completed. At this point, since the investment is not reviewable unless the Minister makes a deliberate decision that it is to be reviewed, the Minister has 21 days to file an order making the investment reviewable. Since the full significance of some of these takeovers may not be understood until they have become general public knowledge, and since the Investment Canada Bill continues the FIRA tradition of confidentiality, it is difficult to understand how an informed judgement can be made by the Minister and his officials in the time available to them. Nor is it clear how informed public opinion which is often our chief safeguard in such cases, will be allowed to have its effect in time to make a difference.

The Association of Canadian Publishers has called for all proposed foreign investment in the cultural sector, new businesses as well as takeovers, to be reviewed by Investment Canada and the Minister, and for basic information on each case to be made available to the public so that informed public opinion can be brought to bear on the issue. We support this suggestion. We suggest, as well, that the definition of cultural industries be defined in a broad enough manner so that the government will have the

duty to review situations which might not have been foreseen in the regulations.

H. SECRECY AND CONFIDENTIALITY

We commented, in 1973, on the secrecy aspects of FIRA: "From our study of the Bill, we can find no evidence that the Foreign Review Agency will be permitted, let alone directed, to publish information which will enable Canadians to understand and make a judgement on what undoubtedly will become major investment decisions once the Bill becomes the law of the land." This aspect of the legislation continued to be a concern for us throughout the life of the Foreign Investment Review Agency. In our opinion, it allowed companies to hide their real intentions, and their record in creating jobs and other benefits, from the Canadian public, who have a right to know whether foreign companies are meeting their commitments.

This secrecy aspect of the Bill, in our opinion, continues one of the worst features of the FIRA legislation.

The secrecy envisaged by this Bill may, in fact, make the safeguarding of cultural interests more difficult, and some thought should be given to ways in which the confidentiality may be lessened. It makes sense, for instance, to think that the availability of other, Canadian, buyers would be a major factor in deciding on the reviewability,

or the admissability, of a particular investment in the cultural industries. This assumes, however, that there is a general awareness of the particular case that might allow prospective buyers to come forward. In the atmosphere of confidentiality imposed by this Bill, it is difficult to see how this could happen.

I. NOTICE PROVISIONS

In the same vein, the retrospective notice of investment can create obvious problems, both in the cultural industries and in other sectors of the economy as well. If access to sensitive information or technology is an issue, it is difficult to see how a retrospective notice of investment might protect the national interest or the confidentiality of those records that might be affected by such a foreign takeover. We note that the decision making procedure for investment screening has been speeded up, and that the number of potentially reviewable investments will have dropped to only a small fraction of those currently reviewable. Under the circumstances, advance notice of the intention to undertake an investment should be a reasonable minimum requirement. In matters where the national interest and private convenience collide, it seems only obvious to us that the national interest should prevail.

J. THE NEED FOR AN OVERALL STRATEGY

It is instructive to compare the opening statement of the Investment Canada Bill with that of the Foreign Investment Review Act. FIRA notes that among the concerns leading to the passage of the Act is the recognition that "the extent to which control of Canadian industry, trade and commerce has become acquired by persons other than Canadians and the effect thereof on the ability of Canadians to maintain effective control over their economic environment is a matter of national concern...". The Investment Canada Bill, on the other hand, begins by noting simply that "increased capital and technology would benefit Canada".

There is no sign, in this, of the priorities that the government will bring to bear in the more restricted judging process. In fact, given a government that is strongly inclined to be as unobtrusive as possible, there is every reason to expect that "screening" will be reduced to a pro-forma exercise.

By contrast, in our view, there is perhaps more than ever, a need for an activist government in the direction of our economic affairs. The expansion of employment opportunities should be the top priority in economic/industrial policy and the most important criterion in determining the benefit to Canada of any proposed investment.

We see no evidence, either in the Bill or in comments by the Minister, that promoting employment growth, as opposed to promoting capital investment, is a priority. In this era of jobless growth, of rapid technological change, this is simply unacceptable.

Secondly, we must underline the importance of ensuring balanced regional development. The years following the passage of the FIRA bill have demonstrated that neither FIRA nor the overall thrust of government policy have been very successful in ensuring more balanced development. The regional disparities that characterized Canada in the early seventies are still with us today. In the absence of any specific description of the government's regional development strategies, we must assume that they have none, except to allow the market to decide what investment will go where.

K. CONCLUSION

In our view, the government must retain the right to screen foreign investment in Canada. Large proportions of our most basic industries remain under foreign control, and, in our view, the damaging effects of that high level of foreign control are both serious and obvious. While it may not be necessary to review every case of foreign investment, the right to do so must be preserved.

This Bill, in effect, will substantially remove the government's ability to control a most basic aspect of economic policy.

This does not mean that we endorse the legislation that it is meant to repeal. Nor does it mean that we endorse the practice of the Liberal government over the past decade. Having passed a law which gave it at least some powers to control the level of foreign investment in Canada, it proceeded to demonstrate that it lacked either the political will, or the overall economic strategy, that would have allowed it to do something about foreign investment.

The argument that FIRA was designed to act as a bargaining lever, rather than as a way to control the levels of foreign investment in the Canadian economy, is a clever way to explain away the fact that the federal government over the past decade disallowed very few investment proposals, either major or minor.

Our first recommendation, then, would be that the government let the Canadian people know exactly what its economic development strategy is to be, so that they can judge how this piece of legislation fits into it. To date, we have seen little evidence of an industrial strategy other than a determination to let the market decide on priorities with minimal government intervention.

Such an industrial strategy, in our view, would involve full employment, balanced regional development, higher levels of research and development, the upgrading of our resource exports, and substitution of imported finished goods with domestic goods.

In the absence of such a strategy, we find it difficult to know how the government will assess any particular investment proposal.

All foreign investments in the cultural sector must be screened as a matter of course. Our Canadian cultural institutions are in danger of being swamped by a larger, better financed U. S. industry and the threat to their survival is real, not theoretical. It should be standard practice for the government to attempt to find a Canadian buyer in the case of any foreign takeover, and to find a Canadian supplier of goods or services in the case of the establishment of a new business.

Advance notice of all intentions to invest should be required of all foreign investors. Retrospective notice of investments is not sufficient to protect either Canadian cultural interests, the confidentiality of Canadian information, or the access to technological information which may be important to the Canadian economy.

The secrecy provisions which this Bill carries over from the Foreign Investment Review Act must be seriously modified, to protect the public's right to know, and to allow the public and the workers involved to know whether a particular company is living up to the promises made when it undertook to invest in Canada. This right to know should extend to public knowledge of the undertaking agreed to at the time of the investment, and of any subsequent follow-up done by the investment screening agency on the fulfilling of these undertakings.

The rules for corporate disclosure must be strengthened in Canada. In many cases, information about companies operating in Canada, both Canadian controlled and foreign, is more freely available in the United States than it is in Canada. In particular the ability to avoid the filing of an annual report, in the case of wholly-owned subsidiaries, or the ability to consolidate the results of a branch plant with those of the parent, make it difficult for workers and the general public to decide whether a particular company is meeting its responsibilities.

In general, then, our preference is for a strong federal public agency, working in cooperation with the provinces, which would take an activist role in attempting to lower the levels of foreign investment in Canada. For the past decade, we have had legislation, which, in theory, allowed the federal government to play this activist

role, and a government which did not have the political will to do so. With this Bill, we will have neither the legislation nor a government which sees foreign investment as a problem to be addressed.

The "open for business" approach, signified in part by the change from FIRA to Investment Canada, may be consistent with the present government's philosophy. If so, it follows that we disagree fundamentally with the Bill's overall context as much as the Bill itself.

Respectfully submitted on behalf of:

THE CANADIAN LABOUR CONGRESS

Dennis McDermott, President
Shirley G. E. Carr, Secretary-Treasurer
Dick Martin, Executive Vice-President
Richard Mercier, Executive Vice-President